	Carrying amount of preferred stock		
	Beginning of year (BOY)	Imputed dividend (8% of carrying amount at BOY)	End of year
Year 19X3	92.59	7.41	100.00

During 19X4 and thereafter, the stated dividend of $8 measured against the carrying amount of $100 [4] would reflect dividend cost of 8%, the market rate at time of issuance.

The staff believes that existing authoritative literature, while not explicitly addressing increasing rate preferred stocks, implicitly calls for the accounting described in this bulletin.[5]

The pervasive, fundamental principle of accrual accounting would, in the staff's view, preclude registrants from recognizing the dividend cost on the basis of whatever cash payment schedule might be arranged. Furthermore, recognition of the effective cost of unstated rights and privileges is well-established in accounting, and is specifically called for by APB Opinion No. 21 and Topic 3.C of the staff accounting bulletin series for unstated interest costs of debt capital and unstated dividend costs of redeemable preferred stock capital, respectively. The staff believes that the requirement to recognize the effective periodic cost of capital applies also to nonredeemable preferred stocks because, for that purpose, the distinction between debt capital and preferred equity capital (whether redeemable[6] or nonredeemable) is irrelevant from the standpoint of common stock interests.

Question 3: Would the accounting for discounts on increasing rate preferred stock be affected by variable stated dividend rates?

Interpretive Response: No. If stated dividends on an increasing rate preferred stock are variable, computations of initial discount and subsequent amortization should be based on the value of the applicable index at date of issuance and should not be affected by subsequent changes in the index.

For example, assume that a preferred stock issued 1/1/X1 is scheduled to pay dividends at annual rates, applied to the stock's par value, equal to 20% of the actual (fluctuating) market yield on a particular Treasury security in 19X1 and 19X2, and 90% of that fluctuating market yield in 19X3 and thereafter. The discount would be computed as the present value of a two-year dividend stream equal to 70% (90% less 20%) of the 1/1/X1 Treasury security yield, annually, on the stock's par value. The discount would be amortized in years 19X1 and 19X2 so that, together with 20% of the 1/1/X1 Treasury yield on the stock's par value, a constant rate of cost vis-a-vis the stock's carrying amount would result. Changes in the Treasury security yield during 19X1 and 19X2 would, of course, cause the rate of total reported preferred dividend cost (amortization of discount plus cash dividends) in those years to be more or less than the rate indicated by discount amortization plus 20% of the 1/1/X1 Treasury security yield. However, the fluctuations would be due solely to the impact of changes in the index on the stated dividends for those periods.

Question 4: Will the staff expect retroactive changes by registrants to comply with the accounting described in this bulletin?

Interpretive Response: All registrants will be expected to follow the accounting described in this bulletin for increasing rate preferred stocks issued after December 4, 1986.[7] Registrants that have not followed this accounting for increasing rate preferred stocks issued before that date are encouraged to retroactively change their accounting for those preferred stocks in the financial statements next filed with the Commission. The staff will not object if registrants do not make retroactive changes for those preferred stocks, provided that all presentations of and discussions regarding income applicable to common stock and earnings per share in future filings and shareholders' reports are accompanied by equally prominent supplemental disclosures (on the face of the income statement, in presentations of selected financial data, in Management's Discussion and Analysis, etc.) of the impact of not changing their accounting and an explanation of such impact (e.g., that dividend cost has been recognized on a cash basis).

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BILLING CODE 8010-01-M

[4] It should be noted that the $100 per share amount used in this bulletin is for illustrative purposes, and is not intended to imply that application of this bulletin will necessarily result in the carrying amount of a nonredeemable preferred stock being accreted to its par value, stated value, voluntary redemption value or involuntary liquidation value.

[5] In Staff Accounting Bulletin No. 57 (July 1984), the staff stated its view that, in the absence of explicitly applicable authoritative literature, registrants and their independent accountants must determine the appropriate accounting "based on some pervasive, fundamental principle or an analogy to transactions with similar economic substance for which the accounting literature does provide specific guidance."

[6] Application of the interest method with respect to redeemable preferred stocks pursuant to Topic 3.C results in accounting consistent with the provisions of this bulletin irrespective of whether the redeemable preferred stocks have constant or increasing stated dividend rates. The interest method, as described in APB Opinion No. 12, produces a constant effective periodic rate of cost that is comprised of amortization of discount as well as the stated cost in each period.

[7] The staff first publicly expressed its view as to the appropriate accounting at the December 3-4, 1986 meeting of the FASB's Emerging Issues Task Force ("EITF"). Topics to be discussed by the EITF are publicly announced prior to its meetings and minutes of all EITF meetings are available to the public.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary for Housing—Federal Housing Commissioner

24 CFR Parts 201, 203, and 234

[Docket No. N-87-1688; FR-2346]

Mortgage Insurance; Changes to the Maximum Mortgage Limits for Single Family Residences, Condominiums and Manufactured Homes and Lots

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

ACTION: Notice of revisions to FHA maximum mortgage limits for high cost areas.

SUMMARY: This notice adds the following localities, recently approved by the Department, to the annual HUD lists of areas (October 1, 1986, 51 FR 34961) which are eligible for high cost mortgage limits under the National Housing Act and its amendments: Isle of Wight County, Virginia; Warren County, New York; Johnston County, North Carolina; and the Wilmington, North Carolina MSA (New Hanover County).

EFFECTIVE DATE: May 8, 1987.

FOR FURTHER INFORMATION CONTACT: For single family: Morris Carter, Director, Single Family Development Division, Room 9270; telephone (202) 755-6720. For manufactured homes: Robert Coyle, Director, Office of Title I Insured Loans, Room 9160; telephone (202) 755-6680; 451 Seventh Street, SW., Washington, D.C. 20410. (These are not toll-free numbers.)

SUPPLEMENTARY INFORMATION:

Background

The National Housing Act (NHA) (12 U.S.C. 1710-1749) authorizes HUD to insure mortgages for single family residences (from one- to four-family

structures), condominiums, manufactured homes, manufactured home lots, and combination manufactured homes and lots. The NHA, as amended by the Housing and Community Development Amendments of 1980 and the Housing and Community Development Amendments of 1981, permits HUD to increase the maximum mortgage limits under most of these programs to reflect regional differences in the cost of housing. In addition, sections 2(b) and 214 of the NHA provide for special high cost limits for insured mortgages in Alaska, Guam and Hawaii.

On May 22, 1984, the Department published a revised list of areas eligible for "high cost" mortgage limits, which contained several new features (see 49 FR 21520). First, there was no separate listing for condominium units, since these limits are now the same as those for other one-family residences. Second, the listing included instructions on how to compute the high cost limits for combination manufactured homes and lots and individual lots, and specified the special high cost amounts for manufactured homes, combination manufactured homes and lots and individual lots insured in Alaska, Guam and Hawaii. And, third, it made changes to the list based on a new definition of "metropolitan area".

On October 1, 1986 (51 FR 34961), the Department published its annual complete listing of areas eligible for "high cost" mortgage limits under certain of HUD's insuring authorities under the National Housing Act and their applicable limits.

This notice adds the following localities recently approved by the Department, to the annual HUD list of areas (October 1, 1986, 51 FR 34961) which are eligible for high cost mortgage limits under the National Housing Act and its amendments: Isle of Wight County, Virginia; Warren County, New York; Johnston County, North Carolina; and the Wilmington, North Carolina MSA (New Hanover County).

These amendments to the high cost areas appear in two parts. Part I explains high cost limits for mortgages insured under Title I of the National Housing Act. Part II lists changes for single family residences insured under section 203(b) or 234(c) of the National Housing Act.

National Housing Act High Cost Mortgage Limits

I. Title I: Method of Computing Limits

A. *Section 2(b)(1)(D). Combination manufactured home and lot (excluding Alaska, Guam and Hawaii):* To determine the high cost limit for a combination manufactured home and lot loan, multiply the dollar amount in the "one family" column of Part II of this list by .80. For example, Warren County, New York has a one family limit of $90,000. The combination home and lot loan limit for Warren County is $90,000 × .80, or $72,000.

B. *Section 2(b)1)(E). Lot only (excluding Alaska, Guam, and Hawaii):* To determine the high cost limit for a lot loan, multiply the dollar amount in the "one-family" column of Part II of this list by .20. For example, Warren County, New York has a one family limit of $90,000. The lot only loan limit for Warren County is $90,000 × .20, or $18,000.

C. *Section 2(b)(2). Alaska, Guam and Hawaii limits:* The maximum dollar limits for Alaska, Guam, and Hawaii may be 140% of the statutory loan limits set out in section 2(b)(1).

Accordingly, the dollar limits for Alaska, Guam and Hawaii are as follows:

1. For manufactured homes: $56,700. ($40,500 × 140%.

2. For combination manufactured homes and lots: $75,600. ($54,000 × 140%.)

3. For lots only: $18,900. ($13,500 × 140%.)

II. Title II: Updating of FHA 203(b), 234(c), and 214 Area Wide Mortgage Limits

REGION II.—HUD FIELD OFFICE—ALBANY, NY

Market area designation and local jurisdictions	1-family and condo unit	2-family	3-family	4-family
Warren County	$90,000	$101,300	$122,650	$142,650

REGION III.—HUD FIELD OFFICE—RICHMOND, VA

Market area designation and local jurisdictions	1-family and condo unit	2-family	3-family	4-family
Isle of Wight County	$78,350	$88,250	$107,250	$123,750

REGION IV.—HUD FIELD OFFICE—GREENSBORO OFFICE

Market area designation and local jurisdictions	1-family and condo unit	2-family	3-family	4-family
Johnston County	$68,400	$77,000	$93,600	$108,000
Wilmington, NC MSA New Hanover County	$76,000	$85,600	$104,000	$120,000

Date: April 30, 1987.

Samuel R. Pierce, Jr.,

Secretary.

[FR Doc. 87-10556 Filed 5-7-87; 8:45 am]

BILLING CODE 4210-27-M

DEPARTMENT OF JUSTICE

Parole Commission

28 CFR Part 2

Paroling, Recommitting and Supervising Federal Prisoners

AGENCY: Parole Commission, Justice.

ACTION: Final rule.

SUMMARY: The Parole Commission is making a number of interpretive clarifications, revisions and additions to its paroling policy guidelines contained in 28 CFR 2.20 and 2.36. These changes and additions are intended to make the guidelines more comprehensive. Additionally, the Commission is revising its practice of conducting dispositional revocation hearings in state institutions pursuant to 28 CFR 2.47, making the decision as to whether to conduct such hearings at state or local facilities as within the discretion of the appropriate Regional Commissioner.

EFFECTIVE DATE: June 15, 1987.

FOR FURTHER INFORMATION CONTACT: Alan J. Chaset, Deputy Director of Research and Program Development, U.S. Parole Commission, 5550 Friendship Blvd., Chevy Chase, Maryland 20815, Telephone (301) 492-5980.

SUPPLEMENTARY INFORMATION:

A. The Proposed Rules and Their Purposes

On March 12, 1987, the U.S. Parole Commission published in the **Federal Register** (52 FR 7620) a set of proposed revisions to 28 CFR 2.20 and 2.36 and a revision to 28 CFR 2.47.

The proposed revisions to 28 CFR 2.20 and 2.36 fall into three categories: (a) A revision to an offense example in the Offense Behavior Severity Index of § 2.20 adding language related to the transportation of unlawful aliens; (b) a revision to an offense example in the Offense Behavior Severity Index of § 2.20 clarifying its applicability for certain criminal contempt offenses; and (c) a revision to the rescission guidelines in § 2.36 incorporating, as part of the rules, interpretative material previously included in the Commission's internal Rules and Procedures Manual.

(a) First, Offense Example 402 in Chapter 4 of the Offense Behavior Severity Index of 28 CFR 2.20 grades the

severity for the transportation of unlawful aliens as Category Three. There are situations, however, when the aliens being transported are detained by their transporters until certain fees or monies are provided. While there are other examples and provisions within the Offense Behavior Severity Index that cover kidnapping and demands for ransom, the Commission views the detention of unlawful aliens under these circumstances as a somewhat different offense. It was proposed, therefore, to sanction such detention and demand for payment as Category Five and to revise the offense example accordingly.

(b) Next, Offense Example 618 in Chapter 6, Subchapter B of the Offense Behavior Severity Index of 28 CFR 2.20 grades the severity for contempt of court offenses. As an exception, subsection (b) states that where "a criminal sentence of more than one year is imposed under 18 U.S.C. 401 for refusal to testify concerning a criminal offense," the conduct should be graded as if it were an accessory after the fact. Standing alone, this exception appears logical in the sense that it recognizes the fact that the Commission does not have jurisdiction over criminal sentences of less than one year. However, a problem may arise when an offender is sentenced to more than one year after being convicted on two separate counts and one of the counts is a criminal contempt term to be served consecutively and that term is less than one year. To address such a situation and to appropriately sanction all criminal contempt sentences for refusal to testify under 18 U.S.C. 401, the Commission proposed to delete the "of more than one year" language from section (b).

(c) Finally, 28 CFR 2.36 contains the Commission's guidelines for sanctioning criminal conduct committed in a prison facility. To make this guideline more comprehensive, the Commission proposed to incorporate, as part of the rules, interpretative material previously included as a procedure in the Commission's Rules and Procedures Manual that provided the grading of offenses (like submitting false tax returns to the IRS from a prison facility) that are not limited to the confines of the prison facility. As proposed, such offenses will be graded as new criminal behavior in the community.

The proposed revision to 28 CFR 2.47 (Warrant Placed As A Detainer and Dispositional Review) was offered as a resource saving initiative. Under current practice, when a parolee has been convicted of a new offense and is serving a new sentence in an institution, a parole violation warrant may be placed against him as a detainer. If the prisoner is serving a state or local sentence, the Regional Commissioner must after a dispositional record review, order that a revocation hearing be scheduled: (a) Upon return to a federal institution or (b) upon completion of the period in confinement required by the minimum of the applicable guideline range as tentatively assessed, but not less than twenty-four months, whichever alternative comes first.

Conducting dispositional revocation hearings in state institutions consumes a disproportionate amount of staff time. While the total number of such hearings is small, considerable support and examiner time is expended in preparing for and conducting these hearings, particularly in traveling to the many facilities in the states and cities within each region. And, because the total number of hearings is small and the locations are widely scattered, the dockets at these state or local facilities rarely contain more than one or two cases. Moreover, the overall workload of the Commission continues to increase, placing competing demands on the Commission's resources.

To address this situation, the Commission proposed to revise current practice as it relates to parolees serving new sentences in state and local facilities. The revision would provide the Regional Commissioner with the discretion to order a revocation hearing at the state or local facility. In the alternative, the Regional Commissioner could let the detainer stand and order further review at an appropriate time or withdraw the detainer and either order reinstatement of the parolee to supervision upon release from custody or close the case if the expiration date has passed.

The procedures in § 2.47 as regards parolees serving a federal sentence are not being revised.

B. Public Comment

The Parole Commission received only one comment, a letter jointly signed by a Chief and Supervising U.S. Probation Officer. Their letter addressed only the proposal regarding dispositional revocation hearings: They state that they are in total agreement with the proposed change, seeing it as cost effective while still adequately providing for individual rights.

C. Changes From the Proposed Rules

There are no changes from the rules as proposed.

These rule changes will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act.

List of Subjects in 28 CFR Part 2

Administrative practice and procedure, Prisoners, Probation and parole.

PART 2—[AMENDED]

28 CFR Part 2 is amended as follows:

1. The authority citation for 28 CFR Part 2 continues to read:

Authority: 18 U.S.C. 4203(a)(1) and 4204(a)(6).

2. Offense Example 402 in Chapter Four of the Offense Behavior Severity Index of 28 CFR 2.20 is revised to read as follows:

402 *Transportation of Unlawful Alien(s)*

(a) If the transportation of unlawful alien(s) involves detention and demand for payment, grade as Category Five;

(b) Otherwise, grade as Category Three.

3. Offense Example 618 in Chapter Six, Subchapter B of the Offense Behavior Severity Index of 28 CFR 2.20 is revised by amending subsection (b) to read as follows:

618 *Contempt of Court*

(a) * * *

(b) *Exception:* If a criminal sentence is imposed under 18 U.S.C. 401 for refusal to testify concerning a criminal offense, grade such conduct as if accessory after the fact.

4. Paragraph (a)(3) of the Rescission Guidelines in 28 CFR 2.36 is revised to read as follows:

§ 2.36 Rescission guidelines.

(a) * * *

(1) * * *

(2) * * *

(3) *New Criminal Behavior in the Community* (e.g., while on pass, furlough, work release, or on escape). In such cases, the guidelines applicable to reparole violators under § 2.21 shall be applied, using the new offense severity (from § 2.20) and recalculated salient factor score (such score shall be recalculated as if the prisoner had been on parole at the time of the new criminal behavior). The time required pursuant to these guidelines shall be added to the time required by the original presumptive or effective date.

Note.—Offenses committed in a prison or in a Community Treatment Center that are not limited to the confines of the prison or Community Treatment Center (e.g., mail fraud of a victim outside the prison) are graded as new criminal behavior in the community.

* * * * *

5. 28 CFR 2.47 *Warrant Placed As A Detainer and Dispositional Review* is revised to read as follows:

§ 2.47 Warrant placed as a detainer and dispositional review.

(a) When a parolee is serving a new sentence in a federal, state or local institution, a parole violation warrant may be placed against him as a detainer.

(1) If the prisoner is serving a new sentence in a federal institution, a revocation hearing shall be scheduled within 120 days of notification of placement of the detainer, or as soon thereafter as practicable, provided the prisoner is eligible for and has applied for an initial hearing on the new sentence, or is serving a new sentence of one year or less. In any other case, the detainer shall be reviewed on the record pursuant to paragraph (a)(2) of this section.

(2) If the prisoner is serving a new sentence in a state or local institution, the violation warrant shall be reviewed by the Regional Commissioner not later than 180 days following notification to the Commission of such placement. The parolee shall receive notice of the pending review, and shall be permitted to submit a written application containing information relative to the disposition of the warrant. He shall also be notified of his right to request counsel under the provisions of § 2.48(b) to assist him in completing this written application.

(b) If the prisoner is serving a new federal sentence, the Regional Commissioner, following a dispositional record review, may:

(i) Pursuant to the general policy of the Commission, let the warrant stand as a detainer and order that the revocation hearing be scheduled to coincide with the initial hearing on the new federal sentence or upon release from the new sentence, whichever comes first;

(ii) Withdraw the warrant, and either order reinstatement of the parolee to supervision upon release from confinement or close the case if the expiration date has passed.

(c) If the prisoner is serving a new state or local sentence, the Regional Commissioner, following a dispositional record review may:

(i) Withdraw the detainer and order reinstatement of the parolee to supervision upon release from custody, or close the case if the expiration date has passed.

(ii) Order a revocation hearing to be conducted by a hearing examiner or an official designated by the Regional Commissioner at the institution in which the parolee is confined.

(iii) Let the detainer stand and order further review at an appropriate time. If the warrant is not withdrawn and no revocation hearing is conducted while the prisoner is in state or local custody, an institutional revocation hearing shall be conducted after the prisoner's return to federal custody.

(d) Revocation hearings pursuant to this section shall be conducted in accordance with the provisions governing institutional revocation hearings, except that a hearing conducted at a state or local facility may be conducted by a hearing examiner, hearing examiner panel, or other official designated by the Regional Commissioner. Following a revocation hearing conducted pursuant to this section, the Commission may take any action specified in § 2.52.

(e)(1) A parole violator whose parole is revoked shall be given credit for all time in federal, state, or local confinement on a new offense for purposes of satisfaction of the reparole guidelines at §§ 2.20 and 2.21.

(2) However, it shall be the policy of the Commission that the revoked parolee's original sentence (which due to the new conviction, stopped running upon his last release from federal confinement on parole) again start to run only upon release from the confinement portion of the new sentence or the date of reparole granted pursuant of these rules, whichever comes first. This subsection does not apply to cases where, by law, the running of the original sentence is not interrupted by a new conviction (e.g., YCA; NARA; Mexican or Canadian treaty cases).

(f) If a Regional Commissioner determines that additional information is required in order to make a decision pursuant to paragraph (a)(2) of this section, he may schedule a dispositional hearing at the state or local institution where the parolee is confined to obtain such information. Such hearing may be conducted by a hearing examiner, hearing examiner panel, or other official designated by the Regional Commissioner. The parolee shall have notice of such hearing, be allowed to testify in his behalf, and have opportunity for counsel as provided in § 2.48(b).

Dated: April 23, 1987.

Benjamin F. Baer,

Chairman, U.S. Parole Commission.

[FR Doc. 87-10473 Filed 5-7-87; 8:45 am]

BILLING CODE 4410-01-M

DEPARTMENT OF TRANSPORTATION

Coast Guard

33 CFR Part 100

[CGD 05-87-02]

Special Local Regulations; John H. Kerr Reservoir, U.S. Olympic Festival—87

May 1, 1987.

AGENCY: Coast Guard, DOT.

ACTION: Final rule.

SUMMARY: The Coast Guard is issuing special local regulations for the U.S. Olympic Festival 87 that will be held at the entrance to Nutbush Creek, John H. Kerr Reservoir on July 23, 24 and 25, 1987. These special local regulations are considered necessary to control spectator craft within the immediate vicinity of the race course due to the confined nature of the waterway and the expected congestion at the time of the events.

EFFECTIVE DATES: These regulations are effective from 12:30 p.m. until 6:30 p.m. local time on July 23, 24 and 25, 1987 with July 26, 1987 as an alternate date if needed.

FOR FURTHER INFORMATION CONTACT: Mr. Billy J. Stephenson, Chief, Boating Affairs Branch, Fifth Coast Guard District, 431 Crawford Street, Portsmouth, Virginia 23704-5004 (804-398-6204).

SUPPLEMENTARY INFORMATION: On March 6, 1987 the Coast Guard published a notice of proposed rule making in the **Federal Register** for these regulations 52 FR 6990. Interested persons were requested to submit comments. No comments were received.

Drafting Information: The drafters of this notice are Mr. Billy J. Stephenson, project officer, Chief, Boating Affairs Branch, Fifth Coast Guard District, and Commander, Robert J. Reining, project attorney, Fifth Coast Guard District Legal Office.

Economic Assessment and Certification: These regulations are considered to be non-major under Executive Order 12291 on Federal Regulations and non-significant under Department of Transportation regulatory policies and procedures (44 FR 11034; February 1979). The economic impact has been found to be so minimal that a full regulatory evaluation is unnecessary. The closure of this portion of the reservoir is not anticipated for any extended period and pleasure craft will be inconvenienced only sightly. Since the impact of these regulations is